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Telegram Drops Technical White Paper for Blockchain SEC Is Trying to Halt

Feb 5, 2020 at 21:38 UTC

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Credit: Shuttershock

Anna Baydakova

Telegram, the messaging app company currently facing a legal fight with the U.S. Securities and Exchange Commission over its $1.7 billion token sale, revealed more details about the technical specifications underpinning its TON blockchain Wednesday.

A new white paper details the block validation process for its blockchain, describing it as a Byzantine Fault Tolerant protocol custom-built for proof-of-stake networks. The company

was sued by the SEC last year on allegations it sold unregistered securities during the pre-sale of its upcoming gram tokens, the native cryptocurrency for TON. However, this litigation does not appear to be halting any development on the TON platform.

Developers, led by the TON Labs startup, have been kicking the testnet's tires since last spring. The new consensus protocol white paper will give these individuals "a formalized understanding of what they've been testing," TON Labs' Mitja Goroshevsky told CoinDesk.

"Consensus protocol is a central part of any blockchain and it needs to be described for the further analysis of the blockchain and its code," Goroshevsky said.

The paper was previously planned for release in October, when the network was originally scheduled to go live, until the SEC's litigation disrupted the process.

"The protocol hasn't changed since then," he said.

Test results

The protocol was tested in December 2018 on "up to 300 nodes distributed all over the world," according to the white paper. The testing apparently showed that "the TON Blockchain is able to generate new blocks once every four to five seconds, as originally planned."

According to the explainer TON Labs released, Catchain is a Practical Byzantine Fault Tolerance (PBFT) partly similar to those used by Tendermint (Cosmos), Algorand, Ouroboros and Casper.

In Catchain, each round attempt includes three steps: validator nodes exchange block candidates for approval; the primary node for the current attempt sends the candidate block for voting to the rest of nodes; then validator nodes exchange votes.

If the validators fail to come to consensus, the "round is skipped and the new block is not committed to the blockchain," TON Labs' explainer said. "If validators fail to reach consensus for a few rounds, new validator election can resolve the deadlock."

In its arguments filed with the court, the SEC has argued Telegram didn't create a viable blockchain, as it promised to do. While aspiring to outperform bitcoin and ethereum, "Telegram has presented no concrete evidence that it has achieved that goal" providing merely a "vague, conclusory statement" the blockchain is "fully functional and ready to be launched," the agency insisted.

Telegram fought these allegations as irrelevant, saying, "It is the SEC's burden to prove that Grams will be securities, not Defendants' burden to prove their technology works."

The TON testnet has been in beta testing since March 2018. The company released code for TON nodes in September and called for investors to generate their wallets.

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What All These VC Deals and Acquisitions Say About the State of the Crypto Markets

Feb 5, 2020 at 20:00 UTC

Nathaniel Whittemore

If venture investments and acquisitions provide a window into the sentiment in markets, boy, did we get a big dose of information today.

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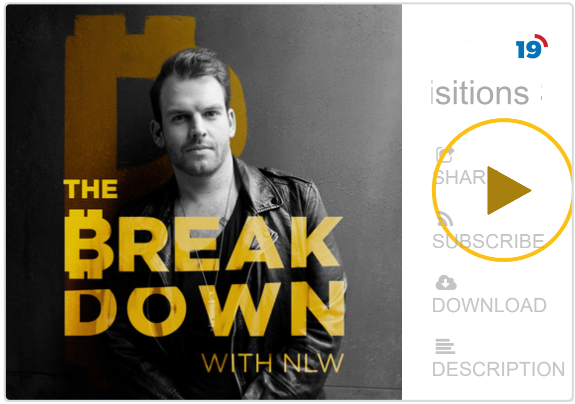

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Exchange Deposits in Bitcoin Slide to Lowest Level in 3 Years

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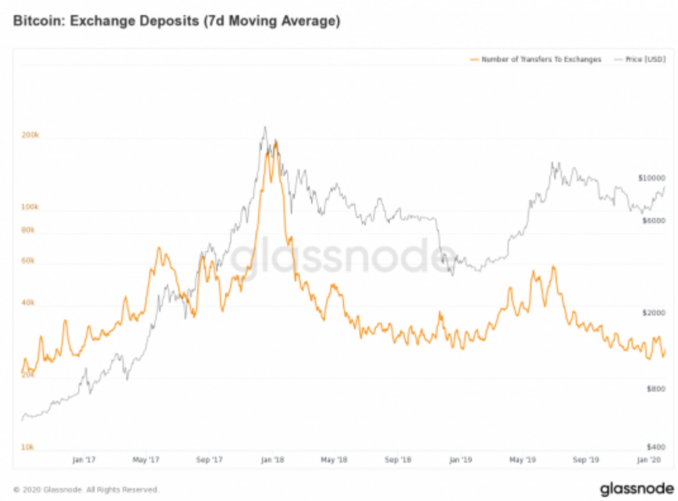
Omkar Godbole

The number of bitcoin on-chain deposits has dropped sharply over the last six months, indicating a strong optimistic or "HODLing," sentiment in the market.

The seven-day average of the number of transfers to exchange addresses, or unique daily exchange deposits, fell to 23,986 on Jan. 1. That's the lowest level since November 2016 and comes after topping out at 58,925 at the end of June 2019, according to crypto analytics firm Glassnode. The number has since inched up to 27,289 as of Feb. 4.



Exchange deposits and price

Source: Glassnode

Notably, the count of deposits dropped by 60 percent in the second half of 2019 even as prices collapsed from $13,800 to $6,425.

During violent price drops, investors usually move their coins to exchanges to sell them in the market. However, investors held onto their coins during the second half of 2019 despite the price slide.

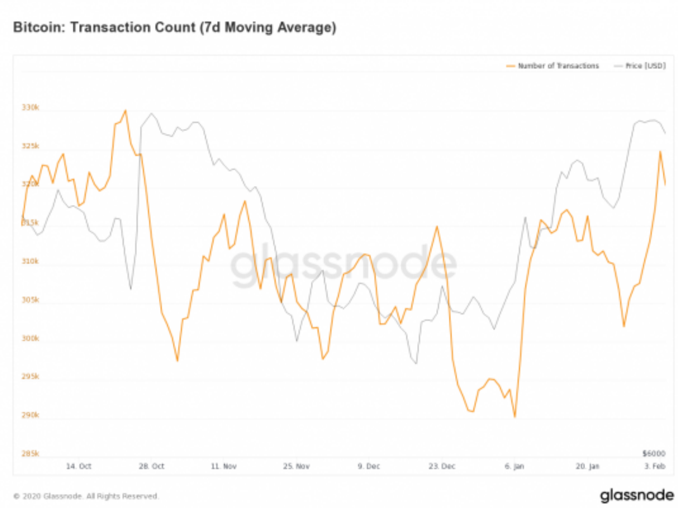
It indicates increased "HODLing," a sign of strengthening belief in the long-term viability of the cryptocurrency, according to Ashish Singhal, CEO and co-founder at CRUXPay and CoinSwitch.co.

"HODLers are not in it for a 'get rich quick' mentality and are now less fazed by micro factors that previously led to an exodus or panic sell," Singhal told CoinDesk.

Nicholas Pelecanos, advisor to NEM Ventures, sees the slowdown in trading and on-chain transaction volumes as indicative of a not-so-healthy market in the short-term.

"A divergence between on-chain transaction volume and price appreciation has typically been a bearish signal," Pelecanos told CoinDesk.

Bitcoin's price rallied by 30 percent in January, diverging higher from the the count of transfers to exchange addresses, which remained near multi-year lows hit on Jan. 1.



Transaction count and price

Source: Glassnode

Although the number of transfers to exchanges declined, the number of transactions recently saw an upswing along with price. The seven-day average of transactions jumped rose from 290,200 on Jan. 6 to a three-month high of 324,745 on Feb. 3.

That investors hoarded coins in January amid a price rally suggests strong bullish sentiment among investors; if they had doubted the sustainability of the recent price gains, they would have moved their coins to exchanges to sell them at market price, leading to a rise in exchange deposits.

Exchange deposits may rise after halving

Bitcoin will undergo mining reward halving in May 2020. The process aims to curb inflation by reducing rewards per block mined by 50 percent. When it occurs, the block rewards will drop to 6.25 BTC from the current 12.5 BTC.

Bitcoin has picked up a bid ahead of the supply-cutting event. The cryptocurrency is currently trading at $9,400, representing a 46 percent gain on December's low of $6,425.

Connor Abendschein, crypto research analyst at Digital Assets Data, expects exchange deposits to rise should the price of the cryptocurrency continue to do so ahead of the halving and in the following months. That's because some investors may decide to book profits, he said.

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